

The Washington Times

Thursday, February 12, 2009

BUTLER: Congress needs cover to reform entitlements

Stuart Butler

ANALYSIS/OPINION:

The price tag is stunning. Pegged at nearly \$800 billion - a figure that doesn't even include interest payments - the so-called "stimulus" bill sets an all-time record for deficit spending by a single bill.

Congress has gotten away with deficit spending in the past, because foreign investors were willing to buy U.S. bonds to cover the debt. But the size of this bill will send our deficits sky-rocketing, to the point where overseas investors may have second thoughts about lending us more.

And that's the good news!

The bad news is there's a far bigger problem threatening to undermine overseas confidence in America's finances. That's the looming fiscal tsunami due to wash over us as baby boomers start retiring in ever-growing numbers and start claiming Social Security and Medicare benefits Congress has promised them. They are promises even the most robust economy could not afford to keep.

Some lawmakers fear that Congress is incapable of addressing this problem, given the way it currently does business. They say the entitlement tsunami needs a very different approach. They are right.

Let's understand the situation. Over the next 10 years, Congress says the stimulus will cost about \$800 billion we don't have. In its single most expensive year - 2010 - Congress will borrow just over \$350 billion to create "energy-efficient visitors centers" and otherwise "stimulate" the economy. That's a lot of money.

But let's look at what Medicare alone must borrow - every year - to cover the gap between what it spends and takes in through premiums and payroll taxes. It's already costing taxpayers almost \$200 billion this year. Within 10 years, yearly borrowing will hit the equivalent of \$285 billion in today's economy. In 20 years it will be close to \$600 billion, with hundreds of billions more from red-ink saturated Social Security and Medicaid spending.

And we are worrying about a peak of \$350 billion for the stimulus?!

Two congressmen, Rep. Frank R. Wolf, Virginia Republican, and Rep. Jim Cooper, Tennessee Democrat, don't believe Congress has the stomach to rein in such staggering shortfalls in these politically sensitive programs.

To give weak-kneed politicians the cover they need, Mr. Wolf and Mr. Cooper propose a bipartisan commission to recommend long-term structural changes in entitlement programs. Commission proposals would be sent to Congress for an up-or-down vote.

Mr. Wolf and Mr. Cooper reckon their commission would get members off the hook of voting line-by-line for unpopular changes. And a bipartisan commission means both parties get the political pain and gain of taking tough action.

Now, we've had budget commissions before. Sometimes they consist of top congressional leaders who meet behind closed doors and produce few real program changes but more real taxes. Or they produce a report that goes nowhere.

But the Wolf-Cooper plan has two stages that may change the political dynamic.

Before the commission even meets to talk turkey, for several months it would hold a national conversation across the country, with town meetings and other ways to gauge public sentiment. Only then would the commission begin its work. Armed with this public support, Mr. Wolf and Mr. Cooper reason, lawmakers could vote "aye" with political protection.

This "public mandate" stage is modeled after something called the Fiscal Wake-Up Tour. The tour consists of representatives from the Concord Coalition, a budget watchdog group, as well as the Heritage Foundation and the Brookings Institution, together with former U.S. Comptroller General David Walker.

This left-right panel has held dozens of large meetings around the country, talking with tens of thousands of Americans. As a "made member" of the tour, I can tell you how Americans are likely to react to a commission seeking their views:

- People want the truth about our fiscal future. If they get the facts in a nonpartisan way, first they are stunned and then they want action.
- The elderly, as well as young Americans, are willing to support tough steps on Medicare and other programs - if they are first brought into a serious conversation.
- And they doubt that more money sent to Washington would be used to avoid future deficits. They are sure it will be spent.

Here's a thought. Let's say President Obama were to back the Wolf-Cooper two-stage commission. Imagine if he and congressional leaders from both parties were to hold their own tour. They would jointly give Americans the full picture of the future tsunami and an honest description of the major options from all sides. And imagine they asked the American people what to do. Then, say, a commission put together a package of reforms based on the people's mandate and sent it to Congress for a vote.

That's the kind of commission report that could work. The kind of change you can believe in.

- Stuart Butler is vice president for domestic policy issues for the Heritage Foundation (heritage.org).